

Company Registration No. 4144192

INTU LAKESIDE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



INTU LAKESIDE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their Strategic Report of Intu Lakeside Limited ('the Company') for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is the ownership, management and development of intu Lakeside shopping centre, Thurrock.

BUSINESS REVIEW

The Company's results and financial position for the year ended 31 December 2019 are set out in full in the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements.

The Company's results for the year reflect the ongoing challenges facing retail and retail property, with net rental income reducing from the impact of company voluntary arrangements (CVAs) and administrations, as well as economic and political uncertainty. This, together with yield expansion driven by weak market sentiment has affected the company's valuation of property, which has further decreased in 2019.

The Company's performance during the year reflects challenging market conditions. Net rental income was £44.6 million compared to £53.4 million for the previous year. A revaluation deficit of £275.9 million was recorded during the year (2018 deficit of £215.4 million).

The Company recorded a loss before tax of £264.5 million compared with a loss before tax of £191.6 million for the previous year. Net assets at 31 December 2019 were £141.5 million, a decrease of £264.5 million from the 31 December 2018 figure of £406.0 million.

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. The directors have considered the future activity of the business below and within the going concern section.

INTU LAKESIDE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

FUTURE DEVELOPMENTS AND EVENTS AFTER THE REPORTING DATE

The ongoing volatility in the UK retail market has been further exacerbated by the impact of Covid-19 since the balance sheet date, with non-essential retail at intu Lakeside closed between 24 March and 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020.

Rents received from tenants at intu Lakeside for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 totalling 36 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date. Rents received from tenants for the quarter beginning 25 June 2020 were 19 per cent as at 10 July 2020.

The directors expect there to be continued downward pressure on property valuations and net rental income in the short term, as retailers adapt to new operating procedures with social distancing measures in place and the long-term effects of the pandemic on the wider UK economy become clear. The latest independent valuation for intu Lakeside as at 30 June 2020 shows a decrease of 30 per cent in market value against the December 2019 position.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services to intu Lakeside, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to intu Lakeside from the date of intu properties plc's administration, the Company has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Company is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

PRINCIPAL RISKS AND UNCERTAINTIES

As the Company is a wholly owned subsidiary of the intu properties plc group, the Company faces largely those risks and uncertainties faced by the group. The development of the Covid-19 pandemic since the year end has heightened some of the group's principal risks, including those relating to the investment property market, which is influenced by both macroeconomic and retail specific factors, and the group's operational risk, particularly in respect of health and safety. These risks and uncertainties, including financial risks and the management thereof, are disclosed in the intu properties plc group financial statements.

On behalf of the Board



Colin Flinn
Director
28 July 2020

INTU LAKESIDE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

The Company is incorporated and registered in England and Wales (company number 4144192). The Company's registered office is 40 Broadway, London, SW1H 0BT.

DIVIDENDS

The directors do not recommend a dividend for the year (2018 £nil).

FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks arising from the Company's operations being principally market risk (including interest rate risk), liquidity risk and credit risk.

The Company's financial risk management is carried out by intu properties plc's treasury department and the group's policies for managing risks along with further details of intu properties plc's financial risk management are disclosed in the intu properties plc group's publicly available financial statements.

CAPITAL MANAGEMENT

The directors consider the capital of the Company to be the ordinary share capital of £196.0 million (2018 £196.0 million). Management of this capital is performed at a group level.

BUSINESS RELATIONSHIPS

The Board makes decisions for the long-term success of the company and its stakeholders and complies with the requirements of section 172 of the Companies Act 2006. As part of any decision-making processes, the directors will consider the need to foster the company's business relationships with suppliers, customers and others. The engagement with and consideration of such stakeholders is as set out below.

Our suppliers

As we rely on our suppliers to help our business run smoothly, from day-to-day operations through to the construction of major developments, we aim to have open, transparent and long-term relationships to ensure they maintain the same high standards we set ourselves. As such, a review of the supplier payment policy and compliance with Prompt Payment Code was undertaken at group level by the intu properties plc Audit Committee during 2018 and adherence to the revised policy continued through 2019.

Our customers

Building strong business relationships with our customers is considered a key part of our business model. Across the group, much activity to engage with customers has taken place and this in turn has driven positive change, including the creation of a customer performance team with insight, digital and sector specialist teams, enhancement of our customer understanding with a store-level affordability database and a multichannel-focused approach to align with retailers.

Our community and environment

As regards the impact of the company's operations on the community and the environment, we have a deeply ingrained culture of behaving responsibly and working with our stakeholders to address social and environmental issues. This is focused particularly on at group level via the Board Corporate Responsibility Committee which oversees our corporate responsibility.

GOING CONCERN

Full detail in respect of going concern is set out in note 1. The going concern disclosure details that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

INTU LAKESIDE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS

The directors who held office during the year and until the date of this report are given below:

Robert Allen	(Appointed 10 June 2019)
Martin Breeden	
Sean Crosby	(Appointed 16 August 2019 and resigned 15 April 2020)
David Fischel	(Resigned 26 April 2019)
Colin Flinn	
Hugh Ford	(Resigned 15 April 2020)
Barbara Gibbes	(Resigned 16 August 2019)
Kathryn Grant	
Minakshi Kidia	(Appointed 16 August 2019 and resigned 15 April 2020)
Trevor Pereira	(Resigned 31 January 2020)
Matthew Roberts	(Resigned 1 July 2020)
Nick Round	(Resigned 15 April 2020)
Rebecca Ryman	
Julian Wilkinson	(Resigned 31 January 2020)

DIRECTORS' INDEMNITY PROVISION

A qualifying indemnity provision (as defined in S234 of the Companies Act 2006) was in force for the benefit of the directors of the Company during the financial year and at the date of the approval of the financial statements. The Company's ultimate parent, intu properties plc, maintains directors' and officers' insurance which is reviewed annually.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INTU LAKESIDE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

INDEPENDENT AUDITOR

Deloitte LLP succeeded PricewaterhouseCoopers LLP as the auditor for the financial year commencing 1 January 2019, further to the resolution passed at the AGM on 3 May 2019.

So far as the directors are aware, there is no relevant audit information of which the auditor is unaware and each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

DIRECTORS' CONFIRMATIONS

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance.

On behalf of the Board



Colin Flinn
Director
28 July 2020

Independent auditor's report to the members of Intu Lakeside Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Intu Lakeside Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement and statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services to intu Lakeside, were placed into administration.

To enable continued uninterrupted delivery of asset and facilities management services to intu Lakeside from the date of intu properties plc's administration, the Company has entered into a 6-month Transition Services Arrangement (TSA) with intu properties plc's administrator. As part of the TSA, the administrators require pre-funding of any costs prior to delivery of services.

The Company is funded through the SGS debt structure which includes intu (SGS) Finance plc which has loan notes with a carrying value of £1,144.5 million and intu (SGS) Finco Limited which has a bank loan with a carrying value of £139.3 million maturing in February 2021. intu Lakeside is security for this debt structure.

We identified the following areas which we considered to be the key risks giving rise to a material uncertainty in relation to the directors' going concern assessment. Should any of the risk factors discussed in note 1 or below occur, the Company may be unable to make payments as they fall due and may enter administration.

Risk area

Risk of default and covenant compliance:

30 June 2020 is a calculation date in relation to the loan to value and interest cover ratio covenants in respect of SGS debt structure. At the calculation date, the loan to value ratio has exceeded the covenant threshold. There is further risk that the interest cover ratio is in breach at the 30 June 2020 calculation date and that both covenants are breached at the 31 December 2020 calculation date. In the event of breach, the lenders can enforce their security.

Funds currently inaccessible in a debt service account will need to be unlocked in order to provide sufficient liquidity for the Company to meet its obligations as they fall due. Additionally the Company will need to seek interest deferrals. Both the release of cash and the interest deferrals require lender consent which may not be given.

The bank loan within the SGS debt structure matures in February 2021. There is risk that on maturity, extension of this loan facility or new finance cannot be agreed or secured.

Implications of the intu properties plc administration

There is risk that with new directors, the future strategy of the Company may change and is therefore unknown. There could be a forced sale of intu Lakeside, at a significant discount to the 31 December 2019 market value, which would then provide insufficient funds to the Company to cover amounts as they fall due.

During the TSA period:

There is risk that additional funding and/or the deferral interest payments in order to meet all obligations as they fall due through the TSA period cannot be secured or agreed.

After the TSA period:

There is risk that terms cannot be agreed with a suitable third-party asset and facilities management service provider resulting in the closure of intu Lakeside. This could result in a number of lease defaults and insufficient liquidity due to decreased rental income.

Covid-19:

Covid-19 has significantly decreased rent and service charge collection. There is a risk that there is a further spike in the Covid-19 pandemic in the United Kingdom resulting in varying levels of lockdown requiring the centres to close. This would result in further decreases in rent and service charge collection, having an adverse effect on the liquidity leading to insufficient funds to the Company to cover the repayment of amounts as they fall due.

As stated in note 1, the events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Stephen Craig FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
28 July 2020

INTU LAKESIDE LIMITED

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £m	2018 £m
Revenue	2	64.8	70.0
Net rental income	2	44.6	53.4
Revaluation of investment and development property	6	(275.9)	(215.4)
Administrative expenses		(1.6)	(2.0)
Operating loss	3	(232.9)	(164.0)
Finance costs	4	(28.1)	(26.1)
Finance income		0.1	0.2
Other finance costs		(3.6)	(1.7)
Loss before taxation		(264.5)	(191.6)
Taxation	5	-	-
Loss for the year		(264.5)	(191.6)

Other than the items in the income statement above there are no items of comprehensive income, and accordingly a separate statement of comprehensive income has not been presented.

INTU LAKESIDE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	2018
	Notes	£m	*Re-presented £m
Non-current assets			
Investment and development property	6	1,000.0	1,250.0
Current assets			
Trade and other receivables	7	14.8	46.0
Cash and cash equivalents		1.9	1.4
		16.7	47.4
Total assets		1,016.7	1,297.4
Current liabilities			
Trade and other payables	8	(875.2)	(891.4)
Total liabilities		(875.2)	(891.4)
Net assets		141.5	406.0
Equity			
Share capital	9	196.0	196.0
(Accumulated losses)/retained earnings		(54.5)	210.0
Total equity		141.5	406.0

* see note 1 for details of re-presented amounts

The notes on pages 13 to 24 form part of these financial statements

The financial statements of Intu Lakeside Limited (registration number: 4144192) were approved by the Board of directors and authorised for issue on 28 July 2020 and were signed on its behalf by:



Robert Allen
Director

INTU LAKESIDE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings/ (accumulated losses)	Total equity
	£m	£m	£m
Balance at 1 January 2018	196.0	401.6	597.6
Loss for the year	-	(191.6)	(191.6)
Total comprehensive loss for the year	-	(191.6)	(191.6)
Balance at 31 December 2018	196.0	210.0	406.0
Balance at 1 January 2019	196.0	210.0	406.0
Loss for the year	-	(264.5)	(264.5)
Total comprehensive loss for the year	-	(264.5)	(264.5)
Balance at 31 December 2019	196.0	(54.5)	141.5

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

Intu Lakeside Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 3.

The nature of the Company's operations and its principal activities are set out in the strategic report on page 1.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company has taken an exemption under IFRS 10 from preparing consolidated financial statements as the Company is consolidated as a subsidiary in the intu properties plc group financial statements.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The Company has taken advantage of certain disclosure exemptions in FRS 101 as its financial statements are included in the publicly available consolidated financial statements of intu properties plc. Copies of those consolidated financial statements can be obtained from intu properties plc, 40 Broadway, London, SW1H 0BT or from the Group's website www.intugroup.co.uk.

In preparing the Company financial statements the Company has taken advantage of the following disclosure exemptions available under FRS 101, and therefore the Company financial statements do not include:

- certain comparative information as otherwise required by IFRS
- disclosures regarding the Company's management of capital
- a statement of cash flows
- disclosures in respect of financial instruments
- disclosures in respect of IFRS 13 fair value measurement
- disclosure of related party transactions
- the effect of future accounting standards not yet adopted

The above disclosure exemptions have been adopted because equivalent disclosures are included in the intu properties plc group consolidated financial statements into which the Company is consolidated. A summary of the significant accounting policies as applied to the Company is set out below.

The entity has transitioned to FRS 101 during the year and there has been no material effect upon transition.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment and development property.

Except as described above, the accounting policies are consistent with those applied in the last annual financial statements, as amended when relevant to reflect the adoption of new standards, amendments and interpretations which became effective in the year.

This is the Company's first set of annual financial statements where IFRS 16 Leases has been applied. The standard requires lessees to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Revaluation of the right-of-use asset and finance costs on the lease liability will be recognised in the income statement. This standard does not affect the current accounting for rental income earned. The adoption of this standard has not had a material impact on the financial statements.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

(Continued)

Re-presentation of information

- balance sheet

Amounts attributable to tenant lease incentives previously classified as trade and other receivables have been re-presented to investment and development property. As a result, investment and development property on the face of the balance sheet is now equal to the market value disclosed. Following the change in presentation, at 31 December 2018 investment and development property has increased by £16.9 million, non-current trade and other receivables have decreased by £14.6 million and current trade and other receivables have decreased by £2.3 million.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with the company's accounting policies requires management to make judgements and use estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those judgements and estimates.

- key sources of estimation uncertainty

Valuation of investment and development property – see investment and development property accounting policy in note 1 as well as the group's publicly available financial statements for details on estimates and assumptions used in the valuation process and sensitivities.

- critical accounting judgements

Going concern – when preparing the financial statements, management is required to make an assessment of the entity's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. As set out in going concern, there are events or conditions that indicate a material uncertainty exists in relation to going concern.

After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

(Continued)

Going concern

–introduction

The Company's business activities are set out in the Principal Activities section of the Strategic Report on page 1.

The Company forms part of the Secured Group Structure ('the SGS Group'), with its funding provisioned through back to back arrangements with two fellow SGS Group entities. Bonds are issued through Intu (SGS) Finance Plc, which are secured against Intu shopping centres in the SGS Group, including Intu Lakeside. The proceeds from these bonds are provided to Intu SGS Finco Limited under the terms of an intercompany loan agreement. Intu (SGS) Finco uses this finance alongside its own separate bank loan facility, to provide funding to the Company under a separate intercompany loan agreement.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, Intu properties plc (the ultimate parent company of the Company), along with certain Intu group entities that provide asset and facilities management services to Intu Lakeside, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to Intu Lakeside from the date of Intu properties plc's administration, the Company has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Company is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

The most recent forecasts used to assess going concern are based on the TSA cash flows which are for a 6-month period from the date of Intu properties plc's administration. These cash flows have been extended through the going concern period; however, there is a material uncertainty (as discussed below) on the future strategic direction of the Company beyond the 6-month TSA period. The TSA cash flows include assumptions in respect of net rental income, giving particular consideration to the impact of COVID-19 on future collections, as well as TSA costs, professional fees, and debt service costs.

- material uncertainty

Due to the factors described as follows, a material uncertainty exists which may cast significant doubt on the Company's ability to continue as a going concern.

The directors have considered the liquidity requirements of the Company and its ability to meet its obligations as they fall due throughout the going concern period. Based on the TSA cash flows as discussed above, amounts currently inaccessible in a cash trap account will need to be unlocked in addition to seeking deferral of interest payments in order to enable sufficient liquidity for the Company to meet its obligations as they fall due throughout the TSA period. These measures require certain lender consents, which at the date of these financial statements are still to be achieved.

Post the TSA period Intu (SGS) Finco Limited will require further funding. Its bank loan facility of £139.9 million matures in March 2021 and will need to be extended at similar amounts or new finance put in place. The prospect of extending the current facilities or agreeing new funding are outside of the control of the Company's directors.

Beyond the 6-month TSA, the Company will also need to transition to alternative asset and facilities management service providers. At the date of these financial statements, the directors have identified a replacement asset and facilities management provider and are actively engaged in the transition to this new provider ahead of the 6-month TSA period end date.

Along with this transition, the composition of the Company's board could be subject to significant change. This change could result in a different strategic direction for Intu Lakeside, which could include new funding being put in place or the sale of the asset.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

(Continued)

Significant market uncertainty remains regarding the impact of Covid-19 on the operations of intu Lakeside. The centre remained semi-closed from the end of March 2020 with essential stores the only ones permitted to trade. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020. Additionally, at this time, the speed of recovery as the UK comes out of lockdown remains unclear. In the event lockdown measures were re-imposed, this could have a significant adverse effect on the future liquidity of the company, including further negative impacts on rent and service charge collection.

The directors have considered the impact of financial covenant breaches that could create an event of default within the SGS Group, which could in turn impact liquidity within the Company. Although waivers are being sought for events of default that occur during the TSA period, at the date of these financial statements these consents have not been formally achieved and the prospect of lender enforcement is therefore outside of the control of the directors.

If one or more of the events described in the material uncertainty above occur, this could result in the Company entering administration. This could occur as soon as the relevant lender consents detailed above were not achieved. In these circumstances, it is possible that there could be a period of closure for intu Lakeside while additional funding and/or alternative third-party asset and facilities management providers are put in place.

- conclusion

The events or conditions described above indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

After reviewing the most recent projections and having carefully considered the material uncertainty, the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

In forming this conclusion, the directors have taken note of the similar material uncertainty conclusions reached by the directors of Intu (SGS) Finance Plc and Intu (SGS) Finco Limited in their respective assessments of going concern.

The auditor's report refers to this material uncertainty surrounding going concern.

Revenue

Revenue comprises rental income receivable, service charge income and facilities management income.

Rental income receivable is recognised on a straight-line basis over the term of the lease. Directly attributable lease incentives (eg rent free periods or cash contributions for tenant fit out) are recognised within rental income on the same basis as the underlying rental income received.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, the most significant being rents linked to tenant revenues or increases arising on rent reviews, are recorded as income in the periods in which they are earned. In respect of rents linked to tenant revenues, where information is not available, management uses estimates based on knowledge of the tenant and past data. Rent reviews are recognised as income from the date of the rent review, based on management's estimates. Estimates are derived from knowledge of market rents for comparable properties determined on an individual property basis and updated for progress of negotiations.

Service charge income is recorded as income over time in the year in which the services are rendered and the performance obligations are satisfied.

Interest income and expense

Interest income and expense are accrued on a time basis, by reference to the principal outstanding and the effective interest rate.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

(Continued)

Investment and development property

Investment and development property is owned or leased by the Company and held for long-term rental income and capital appreciation.

The Company has elected to use the fair value model. Property is initially recognised at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value. Valuations conform with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book).

The main estimates and assumptions underlying the valuations are described in note 6, as well as the intu properties plc group's publicly available financial statements.

The cost of investment and development property includes capitalised interest and other directly attributable outgoings incurred during development. Interest is capitalised on the basis of the average interest rate on the relevant debt outstanding. Interest ceases to be capitalised on the date of practical completion.

Gains or losses arising from changes in the fair value of investment and development property are recognised in the income statement.

Depreciation is not provided in respect of investment and development property.

Sales and purchases of investment property are recognised when control passes on completion of the contract. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Borrowings

Borrowings are recognised initially at their net proceeds on issue and subsequently carried at amortised cost. Any transaction costs and premiums or discounts are recognised over the contractual life using the effective interest rate method.

In the event of early repayment, all unamortised transaction costs are recognised immediately in the income statement.

Impairment of assets

The Company's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

At each balance sheet date the Company reviews whether there is any indication that an impairment loss recognised in previous periods may have decreased. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. In this case the asset's carrying amount is increased to its recoverable amount but not exceeding the carrying amount that would have been determined had no impairment loss been recognised. The reversal of an impairment loss is recognised in the income statement.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting convention, basis of preparation and accounting policies

(Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks.

Trade receivables

Trade receivables are recognised initially at their transaction price and subsequently measured at amortised cost less loss allowance for expected credit losses.

When applying a loss allowance for expected credit losses, judgement is exercised as to the collectability of trade receivables and to determine if it is appropriate to impair these assets. When considering expected credit losses, management has taken into account days past due, credit status of the counterparty and historical evidence of collection.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Taxation

Current tax is the expected tax payable on the taxable income for the year and any adjustment in respect of prior years. It is calculated using rates applicable at the balance sheet date.

Leases

A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are normally classified as operating leases.

Investment properties are leased to tenants under operating leases, with rental income being recognised on a straight-line basis over the lease term. For more detail see the revenue recognition accounting policy.

Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or consumption within one year of the reporting date. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and expected to be settled within one year of the reporting date. All other liabilities are classified as non-current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2 Revenue

Revenue arose in the United Kingdom from continuing operations and in the opinion of the directors the company carries on only one class of business.

	2019 £m	2018 £m
Rent receivable	52.1	56.9
Service charge income	12.7	13.1
	<u> </u>	<u> </u>
Revenue	64.8	70.0
	<u> </u>	<u> </u>
Service charge costs	(16.3)	(14.1)
Other non-recoverable costs	(3.9)	(2.5)
	<u> </u>	<u> </u>
Net rental income	44.6	53.4
	<u> </u>	<u> </u>

3 Operating loss

The operating loss for the year ended 31 December 2019 of £232.9 million (2018 operating loss of £164.0 million) did not include any fees in respect of auditor's remuneration of £13,687 (2018 £4,262) in respect of the audit of the financial statements, which was settled on behalf of the Company by Intu (SGS) Holdco Limited and has not been recharged. No non-audit services were provided during the current or prior year.

The directors did not receive or waive any emoluments (2018 £nil) in respect of their services to the Company.

There were no employees during the year (2018 none).

4 Finance costs

	2019 £m	2018 £m
On amounts due to group undertakings	28.1	26.1
	<u> </u>	<u> </u>

Finance costs of £0.5 million were capitalised in the year ended 31 December 2019 (2018 £0.8 million).

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5 Taxation

The tax expense for the year is higher than (2018 higher than) the standard rate of corporation tax in the UK. The differences are explained below:

	2019 £m	2018 £m
Loss before taxation	(264.5)	(191.6)
Loss before tax multiplied by the standard rate of tax in the UK of 19% (2018 19%)	(50.3)	(36.4)
Exempt property rental profits and revaluations in the year	50.3	36.5
Transfer pricing adjustment	-	(0.1)
Tax expense	-	-

The Company has tax losses of £3.3 million (2018 £3.3 million), but no deferred tax asset has been recognised due to uncertainty over the level of profits that will be available in the non-REIT business of the Company in future periods.

6 Investment and development property

	Freehold £m
At 1 January 2018 (re-presented*)	1,416.5
Additions	46.9
Deficit on revaluation	(215.4)
Movement in tenant incentives	2.0
At 31 December 2018 (re-presented*)	1,250.0
Additions	20.8
Deficit on revaluation	(275.9)
Movement in tenant incentives	5.1
At 31 December 2019	1,000.0

* see note 1 for details of re-presented amounts

Investment property principally represents the intu Lakeside shopping centre, Thurrock.

Included in investment and development property are tenant lease incentive balances totalling £22.0 million (2018 £16.9 million).

The Company is an obligor under the Secured Group Structure, an intu properties plc group debt funding platform which allows the raising of bond and bank debt secured by its assets. Under the terms of the Secured Group Structure, the Company's investment property is secured against the borrowings of the structure.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

6 Investment and development property

(Continued)

Investment property is measured at fair value and is categorised as Level 3 in the fair value hierarchy as one or more inputs to the valuation are partly based on unobservable market data.

Transfers into and transfers out of the fair value hierarchy levels are recognised on the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 for investment property during the year.

Valuation methodology

The fair value of the Company's investment property at 31 December 2019 was determined by Knight Frank, an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the International Valuation Standards and the UK National Supplement 2018 (the Red Book) and were arrived at by reference to market transactions for similar properties and rent profiles. Fair values for investment properties are calculated using the present value income approach. The main assumptions underlying the valuations are in relation to rent profile and yields.

The key driver of the property valuations is the terms of the leases in place at the valuation date. These determine the majority of the cash flow profile of the property for a number of years and therefore form the base of the valuation. The valuation assumes adjustments from these rental values in place at the valuation date to market rent (ERV) at the time of the next rent review (where a typical lease allows only for upward adjustment) and as leases expire and are replaced by new leases. The ERV is assessed based on evidence provided by the most recent relevant leasing transactions and negotiations. This is based on evidence available at the date of valuation and does not assume future increases in market rent.

Valuation process

It is the Company's policy to engage an independent external valuer to determine the market value of its investment and development property at both 30 June and 31 December. This independent external valuer holds recognised and relevant professional qualifications and has recent experience in location and category of the investment property being valued. The Company provides information to the valuer, including current lease and tenant information along with asset specific business plans. The valuer uses this and other inputs including market transactions for similar properties to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the directors.

Capital commitments

At 31 December 2019, the Board had approved £2.9 million (2018 £9.7 million) of future expenditure for the purchase, construction, development and enhancement of investment property. Of this, £2.8 million (2018 £9.5 million) is contractually committed. Of the £2.8 million, all is expected to be spent in 2020.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Trade and other receivables

	2019	2018
	Re-presented*	
	£m	£m
Trade receivables	4.5	5.4
Other receivables	1.3	2.8
Amounts owed by group undertakings	-	27.3
Prepayments and accrued income	9.0	10.5
	<u>14.8</u>	<u>46.0</u>

* see note 1 for details of re-presented amounts

Amounts owed by group undertakings were unsecured, repayable on demand and non-interest bearing.

8 Trade and other payables

	2019	2018
	£m	£m
Trade payables	0.6	0.1
Rents received in advance	10.3	11.8
Amounts owed to group undertakings	862.2	874.1
Accruals	1.3	4.8
Other payables	0.8	0.6
	<u>875.2</u>	<u>891.4</u>

Amounts owed to group undertakings are unsecured and repayable on demand.

Interest on amounts owed to group undertakings is charged at rates agreed between the Company and the group undertakings.

9 Share capital

	2019	2018
	£m	£m
<i>Issued, called up and fully paid</i>		
196,044,100 (2018 196,044,100) Ordinary shares of £1 each	<u>196.0</u>	<u>196.0</u>

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Operating leases

The Company earns rental income by leasing its investment properties to tenants under operating leases.

In the UK the standard shopping centre lease is for a term of 10 to 15 years. Standard lease provisions include service charge payments, recovery of other direct costs and review every five years to market rent. Standard turnover based leases have a turnover percentage agreed with each lessee which is applied to a retail unit's annual sales and any excess between the resulting turnover rent and the minimum rent is receivable by the Company and recognised as income in the period in which it arises.

The future minimum lease amounts receivable under non-cancellable operating leases for continuing operations are as follows:

	2019 £m	2018 £m
Not later than one year	43.0	42.7
Later than one year and not later than five years	117.7	121.5
Later than five years	91.8	97.4
	<u>252.5</u>	<u>261.6</u>

11 Ultimate parent company

The ultimate parent company is intu properties plc, a company incorporated and registered in England and Wales, copies of whose financial statements may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. The immediate parent company is Intu (SGS) Limited, a company incorporated in England and Wales, copies of whose financial statements may be obtained as above.

INTU LAKESIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2019**

12 Events after the reporting date

In Q1 2020, the existence of a global virus outbreak known as Covid-19 was confirmed. Non-essential retail at intu Lakeside closed between 24 March and the 15 June 2020 in order to comply with measures put in place by the UK Government to limit virus transmissions. From 15 June 2020 non-essential stores have begun to trade and from 4 July 2020 catering has begun to re-open, with the opening of leisure facilities permitted from 25 July 2020.

Rents received from tenants at intu Lakeside for the quarter beginning 25 March 2020 were significantly reduced, with collections at 10 July 2020 totalling 36 per cent. Management are in discussions with customers on the outstanding rents but at this time it is unclear whether these rents will be fully recovered at a later date. Rents received from tenants for the quarter beginning 25 June 2020 were 19 per cent as at 10 July 2020.

The directors continue to monitor the collection of rents and ongoing reviews of cash projections are conducted.

On 26 June 2020, following unsuccessful negotiations for a group-wide standstill with lenders to group entities and a resulting inability to agree a standstill with its lenders, intu properties plc (the ultimate parent company of the Company), along with certain intu group entities that provide asset and facilities management services to intu Lakeside, entered administration.

To enable continued uninterrupted delivery of asset and facilities management services to intu Lakeside from the date of intu properties plc's administration, the Company has entered into a 6-month Transitional Services Arrangement (TSA) with Intu Retail Services Limited (in administration). As part of the TSA, the Company is required to pre-fund costs two months in advance to the service providers prior to the delivery of services as well as the settlement of existing arrears.

The latest independent property valuation for intu Lakeside as at 30 June 2020 shows a decrease of 30 per cent in market value against the December 2019 position.